

Message Text

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SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SP-03

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AMEMBASSY DUBLIN
AMEMBASSY COPENHAGEN
AMEMBASSY PARIS
AMEMBASSY THE HAGUE
AMEMBASSY ROME
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USMISSION EC BRUSSELS
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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, UK

SUBJECT: UK REACTION TO RESULTS OF COUNCIL OF AGRICULT-
URAL MINISTERS' MEETING IN BRUSSELS, JULY 15-16, 1974
REFTEL EC BRUSSELS 5350

1. BEGIN SUMMARY. UK MINISTER OF AGRICULTURE PEART
REPORTED TO THE HOUSE OF COMMONS ON JULY 17, MEASURES
AGREED ON IN BRUSSELS AT COUNCIL OF AGRICULTURAL
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MINISTERS' MEETING ON JULY 15-16 AND REPORTED IN REFTEL.

PEART'S STATEMENT CONCENTRATED ON THE THREE MAJOR ACTIONS IN THE BEEF SECTOR: PREMIA PAYMENTS TO BEEF PRODUCERS; TEMPORARY SUSPENSION OF BEEF IMPORT LICENSING; SPECIAL HALF PRICE SOCIAL BEEF SCHEME FOR POOR CONSUMERS. PEART IS OBVIOUSLY PLEASED WITH WHAT HE SEES AS A MAJOR SHIFT IN EMPHASIS IN CAP FARM SUPPORT AND HE PLAYED DOWN IMPACT OF IMPORT BAN. HOUSE OF COMMONS LESS ENTHUSIASTIC; MEMBERS SCEPTICAL ON EFFECTS ON FARMERS' CONFIDENCE AND ABOUT COSTS. SOME CABINET MEMBERS REPORTED TO BE DUBIOUS ABOUT SOCIAL BEEF SCHEME. END SUMMARY.

2. UK MINISTER OF AGRICULTURE, FREDERICK PEART, MADE STATEMENT IN THE COMMONS ON JULY 17, 1974 EXPLAINING THE DEAL WORKED OUR IN BRUSSELS AT COUNCIL OF AGRICULTURAL MINISTERS' MEETING ON JULY 15-16 WITH SPECIAL REFERENCE TO BEEF. PEART SAID, "MUCH THE MOST IMPORTANT OF THESE MEASURES WAS THE AUTHORISATION OF THE SYSTEM I MYSELF PROPOSED FOR DIRECT PREMIA TO BE PAID TO BEEF PRODUCERS ON FINISHED CATTLE.....THE EFFECT.....WILL BE TO ASSURE BEEF PRODUCERS OF A REASONABLE RETURN, AND TO OFFER A REAL INCENTIVE TO PHASE MARKETINGS IN SUCH A WAY AS TO MAINTAIN STABLE MARKET CONDITIONS. THEY AMPLY FULFIL THE INTENTION I ANNOUNCED TO THE HOUSE ON JUNE 26 OF GIVING OUR BEEF PRODUCERS AN ASSURANCE THAT, OVER A PERIOD, THEIR RETURNS WOULD NOT FALL BELOW ABOUT 18 POUNDS PER LIVE CWT (112 LBS.) FOR CLEAN CATTLE. IF THE INDUSTRY RESPONDS TO THE ASSURANCES WHICH THESE PREMIA WILL PROVIDE, AVERAGE RETURNS OVER THE PERIOD UNTIL MARCH SHOULD SUBSTANTIALLY EXCEED THIS FIGURE." IN UK TERMS THE PREMIA WILL RISE FROM 9 POUNDS 24 PENCE PER HEAD IN AUGUST TO 32 POUNDS 34 PENCE IN FEBRUARY, 1975; THEY WILL BEGIN TO OPERATE FROM AUGUST 5.

3. THE SATISFACTION WHICH THE BRITISH DELEGATION FEELS ABOUT THE RESULTS OF THE BRUSSELS MEETING IS SUMMED UP IN PEART'S REMARKS AS FOLLOWS" "THE CAN FAIRLY BE SAID TO REPRESENT A MAJOR CHANGE IN THE COMMUNITY'S BEEF REG-IME AND A NEW APPROACH TO THIS SECTOR OF THE CAP. THEY WILL SUSTAIN PRODUCERS RETURNS BY DIRECT ASSISTANCE WHILE ENABLING CONSUMERS TO BUY BEEF AT PRICES THEY CAN

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AFFORD.....I REGARD THE OUTCOME.....AS VERY SATISFACTORY FOR BEEF PRODUCERS AND CONSUMERS IN THIS COUNTRY. IT IS A GOOD OMEN FOR THE FURTHER NEGOTIATIONS WE INTEND TO CARRY OUT IN THIS FIELD."

4. FIRST CONSERVATIVE SPEAKER WAS MICHAEL JOPLING, DEPUTISING FOR SHADOW AGRICULTURE SPOKESMAN, FRANCIS PYM. HE DISMISSED THE BRUSSELS DECISIONS AS A "SHORT TERM

MEASURE.....A STEP IN THE RIGHT DIRECTION TO DEAL
WITH THE CURRENT CRISIS." HE ASKED HOW MUCH WILL THE
PREMIA COST THE GOVERNMENT AND HOW SOON CAN THE SOCIAL
BEEF SCHEME BE MADE AVAILABLE IN THE SHOPS. HE SAID THAT
THE ACTION NOW TO BE TAKEN HAD ONLY BECOME NECESSARY BE-
CAUSE OF THE "TOTAL IRRESPONSIBILITY IN REMOVING ALL
BEEF GUARANTEES FROM THE INDUSTRY AND LEAVING THE
INDUSTRY WITH CONFIDENCE AT AN ALL-TIME LOW." PEART
REPLIED THAT THE TOTAL VALUE COULD BE WORTH UP TO 40
MILLION POUNDS OF WHICH AN INCREASING PROPORTION RISING
TO 70 PERCENT BY FEBRUARY 1975 WILL COME FROM EEC FUNDS.
THE DIRECT COST TO THE BRITISH EXCHEQUER COULD BE AS
MUCH AS 23 MILLION POUNDS BUT WOULD BE LESS IF MARKET

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PRICES ROSE SUFFICIENTLY TO ALLOW CUTS IN THE PREMIA.

5. LIBERAL PARTY AGRICULTURAL SPOKESMAN, EMLYN HOOSON, ASKED IF HMG NOW FINDS THE CAP MORE ACCEPTABLE. PEART REPLIED THAT "THE CAP IS SOMETHING I BELIEVE SHOULD BE CHANGED. I DO NOT LIKE IT; I STILL HAVE MY OWN VIEWS. I HAVE NOT ALTERED IN ANY WAY. I BELIEVE MY TASK IN RENEGOTIATION IS TO SEEK A CHANGE."

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6. DOUGLAS JAY, ONE OF THE LABOUR PARTY'S PRINCIPAL ANTI-MARKETEERS, ATTACKED THE DECISION TO BAN IMPORTS INTO THE COMMUNITY. HE CLAIMED "THE EXISTENCE OF THIS BAN PROVES THERE IS CHEAPER FOOD IN THE WORLD OUTSIDE THE EEC THAT WE COULD BUY IF WE WERE NOT MEMBERS OF THIS GROTESQUE ORGANISATION." PEART TOLD HIM IT WAS NOT A TOTAL BAN AND THAT OBLIGATIONS AND LICENSES ALREADY UNDERTAKEN WOULD CONTINUE. PEART EXPLAINED THAT HE DID NOT SUPPORT THE BAN (THE UK ABSTAINED FROM VOTING ON IT) BUT POINTED OUT IT WAS A QUESTION OF GIVE-AND-TAKE IN ORDER TO GAIN ASSENT TO THE PREMIA.

7. A SCOTTISH NATIONALIST MEMBER ASKED PEART WHETHER THE PREMIA APPLIED TO CLEAN CATTLE ONLY OR TO ALL FINISHED CATTLE. PEART TOLD HIM THIS STILL WAS UNDER DISCUSSION. THE UK PROPOSED ALL CLEAN CATTLE BUT IT COULD BE EXTENDED.

8. ON THE SOCIAL BEEF SCHEME, SOME CABINET MEMBERS HERE ARE KNOWN TO BE OPPOSED TO IT ON GROUNDS OF COST AND BECAUSE OF DEEP-SEATED LABOUR PARTY OPPOSITION TO SOCIAL WELFARE SCHEMES WHICH IMPLY DISCRIMINATORY SUBSIDIES. THE COST OF THE SUBSIDY TO THE UK IS ESTIMATED AT 22 MILLION POUNDS OVER THE 8-MONTH PERIOD COVERED BY THE SCHEME, USING AS A CRITERIA THE FIVE MILLION PEOPLE ENTITLED TO CHEAP BUTTER TOKENS AND ASSUMING THAT EACH TAKES UP A 25 PENCE BEEF TOKEN PER WEEK. A PARALLEL 22 MILLION POUND SUBSIDY WOULD BE PAID FROM COMMUNITY FUNDS TO THE UK.

9. WHILE RELIEVED THAT ACTION OF SOME KIND HAS FINALLY BEEN AGREED ON, THE UK NATIONAL FARMERS' UNION HAS DOUBTS WHETHER THE PREMIA WILL BE HIGH ENOUGH BETWEEN AUGUST AND DECEMBER TO ACHIEVE THE 18 POUNDS PER

LIVE CWT FLOOR PRICE PROMISED BY PEART ON JUNE 26. IF, AS EXPECTED, THE MARKET BECOMES EVEN MORE GLUTTED IN AUGUST, SEPTEMBER AND OCTOBER, THERE IS NO CERTAINTY THAT THE FLOOR PRICE WILL BE ACHIEVED IN THE ABSENCE OF INTERVENTION WHICH THE UK CONTINUES TO REJECT FOR OPERATION HERE.

10. THE MEAT TRADERS' FEDERATION ON THE OTHER HAND FEARS UNCLASSIFIED

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THAT THE HIGH RATE OF PREMIA PAYABLE LATER IN THE PERIOD COULD CREATE AN ARTIFICIAL SHORTAGE BETWEEN NOW AND DECEMBER AND RAISE CONSUMER PRICES AT A TIME WHEN THEY OTHERWISE COULD FALL. THE MEAT TRADE FEARS THAT IN COMBINATION WITH THE IMPORT BAN, THE PREMIA WILL PUSH UP BEEF PRICES BETWEEN NOW AND THE LATE AUTUMN.

11. IN THE UK' HOWEVER, THE MAIN IMPACT OF THE AGREEMENT ON BEEF IS BEING SEEN AS AN IMPORTANT POINT OF PRINCIPLE GOING FAR BEYOND THE TECHNICALITIES OF PAYMENTS TO THE BEEF PRODUCERS. IT IS SEEN AS A MAJOR BREAKTHROUGH IN PERSUADING FELLOW COMMUNITY MEMBERS THAT AGRICULTURAL SUPPORT PROBLEMS CAN BE SOLVED BY MEANS OTHER THAN PRICE INCREASES, INTERVENTION AND THE ACCUMULATION OF UNWANTED SURPLUSES. THE COUPLING OF THE DIRECT PAYMENTS SCHEME WITH RESTRICTIONS ON IMPORTS IS LOOKED UPON, PROBABLY WITH THE EXCEPTION OF THE NFU, AS A REGRETTABLE BUT NECESSARY QUID PROQUO, WHICH SHOULD BE NO MORE THAN TEMPORARY. THE SUCCESS OR FAILURE OF THE BEEF PREMIA SCHEME MUST NOW BE CLOSELY WATCHED; IF IT SUCCEEDS IT COULD BE THE BEGINNING OF A COMPLETE RETHINKING OF THE FUTURE OPERATIONS OF THE CAP.

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